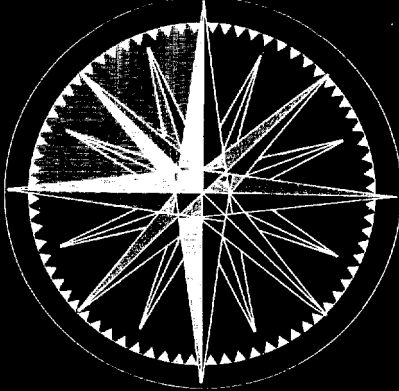


**SECRET**

Approved For Release 2008/10/20 : CIA-RDP79-00927A005300070001-8



17 June 1966

OCI No. 0294/66

Copy No. 50

# WEEKLY SUMMARY

State Dept. review  
completed

Navy review  
completed.

CENTRAL INTELLIGENCE AGENCY  
DIRECTORATE OF INTELLIGENCE

25X1

**SECRET**

GROUP 1 Excluded from automatic  
downgrading and declassification

Approved For Release 2008/10/20 : CIA-RDP79-00927A005300070001-8

**Page Denied**

**SECRET**

C O N T E N T S

(Information as of noon EDT, 16 June 1966)

Far East

VIETNAM

Buddhist and Saigon University students demonstrated against the government this week but without any serious consequences. The uneasy coexistence between government and dissident elements was broken in Hue, where the government began using force to end the Buddhists' passive resistance campaign. The enlarged Directorate has limited the powers of the proposed constituent assembly to drafting a constitution.

Page

1

25X1

INDONESIAN-MALAYSIAN TALKS CONTINUE

Indonesia and Malaysia are continuing talks toward at least an informal end of confrontation but Indonesia's domestic political situation is still impeding a settlement.

5

THE LEADERSHIP STRUGGLE IN PEKING

Turmoil in the leadership continues, with signs that the forces behind the ouster of senior politburo member Peng Chen are not sure of their next moves. These forces are believed to be led by the party's hard-driving General Secretary Teng Hsiao-ping.

6

Europe

INCREASED SOVIET MEDITERRANEAN NAVAL OPERATIONS

The Soviet Navy has been showing the flag with increasing frequency in the Mediterranean, probably to strengthen the image of Soviet power in the area and to provide a symbolic counterpart to the US Sixth Fleet.

7

25X1

**SECRET**

**SECRET**

- COMMUNIST INTERNATIONAL CIVIL AIR DEVELOPMENTS 9  
Moscow is currently negotiating expansion of international air routes with Canada; West Germany, and Japan, while Eastern European countries are augmenting their service to the Middle East and Africa.
- WARSAW PACT MOVING TO STRENGTHEN ITS NORTHERN TIER 11  
Virtually the entire top command of the Soviet armed forces has met with its northern tier counterparts in East Berlin probably to seek ways to strengthen the Pact by closer integration of the military forces of the four countries.
- NATO ALLIES NEGOTIATE WITH FRENCH 12  
France's tough attitude about French forces in NATO and in Germany contributed to a feeling of general pessimism among the allies, but it also brought out a greater degree of unity among the Fourteen.
- ELDO GETS REPRIEVE WITH NEW COST-SHARING FORMULA 13  
A new formula reduces Britain's costs and may dissuade the UK from withdrawing. If Britain stays, ELDO would be committed to developing a launch vehicle capable of placing a communications satellite in orbit.
- COMMUNIST TRADE AGREEMENTS WITH SINGAPORE 14  
The USSR, Bulgaria, and Poland have recently signed trade agreements with Singapore, and Czechoslovakia, Hungary, and Rumania appear interested in reaching agreements in the near future.

Middle East - Africa

- IMPACT OF INDIA'S CURRENCY DEVALUATION 15  
New Delhi's move has raised a domestic political storm, but criticism probably will slacken if enough foreign aid follows to speed the flow of imports.



**SECRET**

**SECRET**

**SIGNS OF EGYPTIAN-SYRIAN RAPPROCHEMENT**

17

Cairo and Damascus have concluded their first bilateral agreement since Syria's secession from the United Arab Republic in 1961.

25X1

**PROGRESS OF WEST AFRICAN ENTENTE**

19

A meeting last week set up new machinery for channeling Ivory Coast aid to the other members of West Africa's Council of the Entente, but the Ivory Coast's external role is generating controversy both domestically and with other Entente members.

25X1

Western Hemisphere

**STUDENT RIOTS IN PANAMA**

20

The violence and destruction associated with the riots emphasize the country's social and economic ills and the tendency for minor incidents to explode into serious crises.

**BOSCH CONCEDES DOMINICAN ELECTION**

21

Bosch claims fraud and coercion cost him the election, but he has promised a "democratic and honest" opposition to the government in Congress. He ruled out any form of coalition government.

**SECRET**

***SECRET***

25X1

**ECONOMIC PROBLEMS IN ECUADOR**

22

Foreign exchange reserves fell 26 percent in the first quarter of 1966 and Finance Minister Enriquez warns the country will be bankrupt if foreign aid does not come soon.

**ARGENTINE GOVERNMENT MOVES TO SATISFY MILITARY**

23

The Illia regime will intervene in strike-torn Tucuman Province to ease the growing impatience of the military with the government's progress in solving some of Argentina's pressing problems.

***SECRET***

## **SECRET**

### Far East

### **VIETNAM**

The re-emergence of a strong militant faction among Buddhist leaders in Saigon resulted in new attempts to organize demonstrations in the capital this week. Moderate Buddhist Institute chairman Tam Chau left Saigon for a coastal resort on 13 June, after his appeals for moderation were apparently turned aside by ranking Institute monks. Demonstrations against the government began just a few hours later, and the number of altars in the streets increased as soon as Buddhist leaders countermanded Tam Chau's appeal for their removal. Students at Saigon University, who have gained strength in the past month, also held anti-government rallies. Thus far, police have successfully broken up these efforts and are checking identification cards of the protesters for eligible draftees and persons wanted by the police.

In Hue, the uneasy coexistence between government forces and dissident elements was finally broken on 16 June, when the government began using force to end the Buddhists' passive resistance campaign. Police field forces from Saigon and a battalion of airborne troops began clearing away Buddhist altars which had cluttered the streets for more than ten days, and dispersing Buddhist protesters with tear gas.

National Police Director Loan, who has been a strong force behind government efforts to regain control of I Corps, arrived in Hue on 13 June to direct the operation. Further government action in Hue will probably follow the same pattern as in Da Nang, including a blockade of pagodas in which "struggle force" leaders have reportedly taken refuge. Government force may soon be applied in Quang Tri, where dissident influence has also been strong.

The government in Saigon is planning several major events for 19 June, its first anniversary, including the promulgation of the September election law and the establishment of an 80-man military-civilian advisory council. Premier Ky is apparently considering personnel changes

25X1

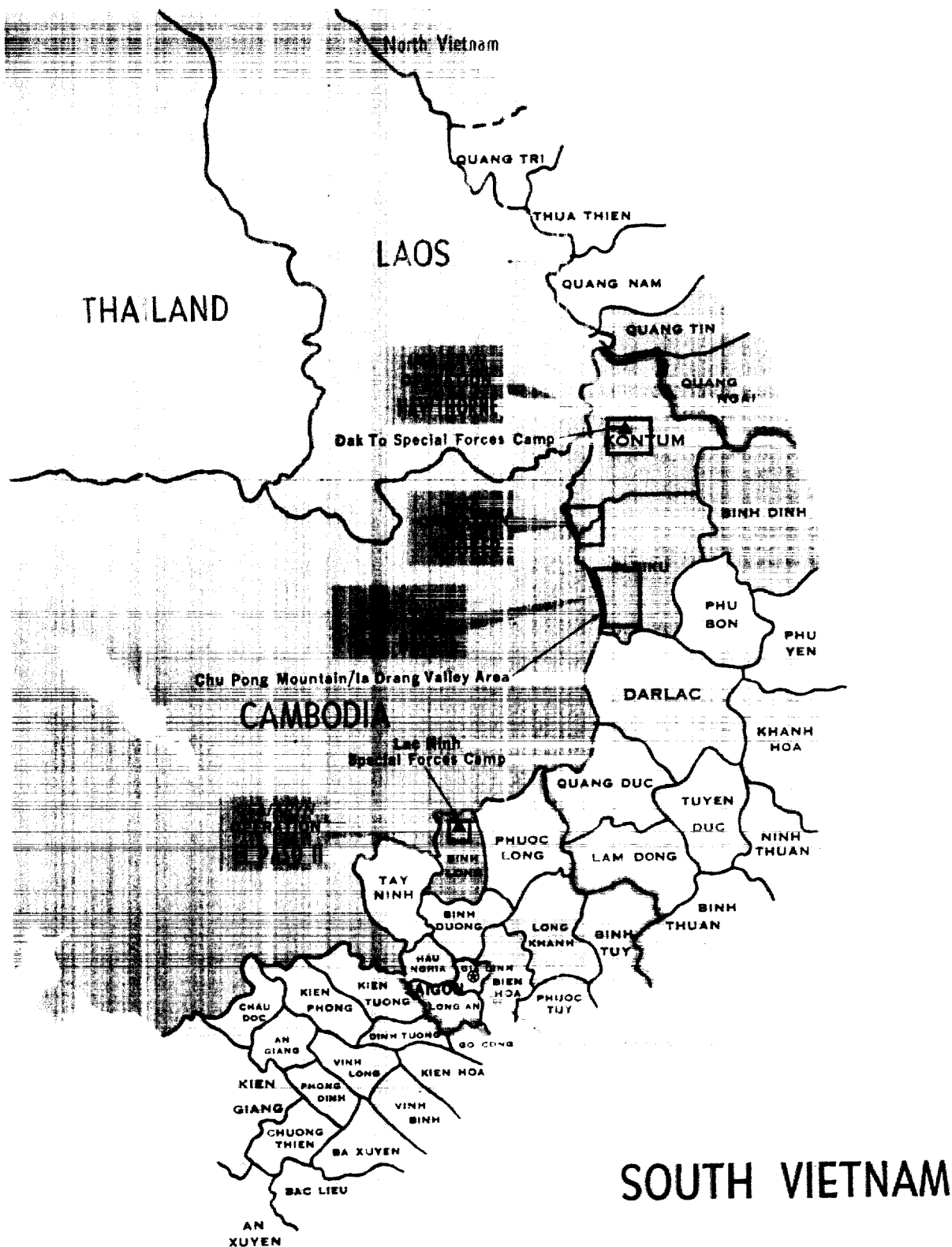
In reviewing the draft of the September election law, the enlarged military-civilian Directorate decided, among other things, to strike out the provision allowing the constituent assembly to assume a legislative function in addition to drafting a constitution.

25X1

Although the nature of the elected assembly was previously

## **SECRET**

**SECRET**



25X1

82682

**SECRET**



**SECRET**

a major issue, there was no immediate response from the Buddhists, since both Tri Quang and the Buddhist Institute have already called for a boycott of the September elections. However, the Buddhists may use the government's decision to justify their boycott and urge other groups to do likewise.

#### Military Developments

Allied forces this week continued to press several major offensives near the Cambodian border in a determined campaign to delay or disrupt Communist plans for large-scale attacks during the summer monsoon season.

In western Kontum Province, three US and three ARVN battalions, supported by heavy tactical air strikes, B-52 bombing missions, and artillery bombardment, kept pressure on elements of the 24th North Vietnamese Army Regiment in strong entrenched positions near Dak To Special Forces camp. By week's end, Operation HAWTHORNE had resulted in 538 enemy troops killed, as against friendly losses of 49 killed (39 US) 201 wounded (172 US), and seven US missing.

Farther south, the allied campaign in the high plateau region was reinforced and geographically expanded by the commitment of brigade-strength elements of the US 1st Air Cavalry Division to Cambodian border surveillance Operation HOOKER in southern Kontum and northern Pleiku provinces. In southwestern Pleiku Province, three battalions of the US 25th

Infantry Division participating in Operation PAUL REVERE continued to monitor Communist troop movements in the border area around Chu Pong Mountain and the Ia Drang Valley.

In Binh Long Province, 65 miles north of Saigon, multibattalion US/ARVN task force elements conducting Operation EL PASO II continued to inflict heavy losses on large-scale Communist troop concentrations threatening the Loc Ninh Special Forces camp. By 15 June, nearly 200 Viet Cong had been killed, in contrast to allied casualties of 70 killed (48 US), 154 wounded (83 US), and 16 ARVN missing.

Viet Cong military activity during the week was highlighted by three battalion-sized attacks in the adjacent north-central coastal provinces of Quang Ngai, Binh Dinh, and Quang Tin. The assaults, two of which were targeted against Vietnamese Regional Force companies and one against a USMC reconnaissance platoon, resulted in heavy government losses, totaling 98 killed (12 US), 183 wounded (15 US), 43 missing (3 US), and 119 weapons captured.

#### DRV Loses Another MIG

The first air engagement since early May between US and North Vietnamese fighters occurred on 12 June some 45 miles northeast of Hanoi. US fighters shot down one MIG-17 with an air-to-air missile and may have damaged another with cannon fire. No US fighters were lost or damaged.

**SECRET**

## ***SECRET***

To date, air engagements with US aircraft may have cost the DRV as many as 16 planes.

### Hanoi-Peking Relations

There has been no further confirmation of Ho Chi Minh's reported trip to China. Recent statements by both the North Vietnamese and the Chinese Communists, however, do not indicate that any particular change has taken place in their relations recently. The Chinese on at least four separate occasions during the past week asserted their opposition to a negotiated settlement of the Vietnamese war until defeat of the US is assured. Peking also lectured the Vietnamese routinely on the dangers of Soviet-US collaboration to end the war.

On 9 June, NCNA attacked a five-point World Peace Council proposal which closely paralleled Hanoi's own four-point proposal for a settlement of the Vietnamese war, and insisted on immediate US withdrawal from South Vietnam before any settlement could be considered.

North Vietnamese propaganda, meanwhile, continued to strike a careful balance in its treatment of Peking and Moscow. Hanoi

rebroadcast Brezhnev's 10 June promise of increased assistance to Vietnam and also publicized Vietnamese participation in both the Czech and Mongolian Party Congresses. For Peking's benefit, Hanoi's Vietnamese-Chinese Friendship Association pledged renewed efforts to "improve the militant friendship" of the two countries.

In recent weeks Hanoi has contented itself with reaffirming that the US must recognize the "four points."

25X1

25X1

## ***SECRET***

**SECRET**

25X1

## INDONESIAN-MALAYSIAN TALKS CONTINUE

Indonesia and Malaysia are continuing talks toward at least an informal end of confrontation, but Indonesia's domestic political situation is still impeding a settlement.

In view of President Sukarno's refusal to sign the agreement reached by Indonesian and Malaysian representatives in Bangkok on 1 June, Indonesia's official position now is that the Bangkok talks resulted in a "settlement" which constitutes a basis for agreement and that details still need clarification and solution. It was for this purpose that a top Malaysian Foreign Office official arrived in Djakarta on 10 June to talk with Indonesian Army chief General Suharto. No firm information is available on the substance of these conversations. Presumably they developed favorably, however, since mass rallies in Djakarta--apparently government-inspired--have called for ratification of the Bangkok agreement.

Internally, the anti-Communist and anti-Sukarno political movement--virtually monolithic in the early months after 1 October--continues to fragment. This development is particularly evident in East Java, and pro-Sukarno elements, who are strong in the area, are trying to take advantage of it. The situation is rendered more complex by the fact that military units in East Java, particularly in the city of Surabaya, are pro-Sukarno and appear to be assisting the civilians.

25X1

**SECRET**

**SECRET**

## THE LEADERSHIP STRUGGLE IN PEKING

Turmoil in the leadership continues, with signs that the forces behind the ouster of senior politburo member Peng Chen are not sure of their next moves. These forces are believed to be led by the party's hard-driving General Secretary Teng Hsiao-ping. Mao Tse-tung may still dominate the leadership, but he seems to have lost several key supporters and may be under pressure to delegate control over the party machinery and over key domestic and foreign policy issues.

Teng is probably abetted by Defense Minister Lin Piao, whose standing seems to have been enhanced by recent developments. Premier Chou En-lai may also be going along. Their posts in the army and government would make them useful allies. The role of Liu Shao-chi, Mao's party deputy since 1945, has been unclear since March. Moves may be under way to retire him from his party role.

So far Peng Chen has been the only prominent figure to have fallen, but the Liberation Army Journal charged on 6 June that there are still enemies "in very high positions" who are trying to conceal themselves. The journal also criticized leaders who are overly preoccupied with solving economic problems at home and combatting US imperialism abroad. This could be a slap

at men who have responsibility for both internal and external affairs, such as Liu Shao-chi and Chou En-lai. Other evidence would point to Liu as the more likely candidate.

Liu continues to make routine appearances in his ceremonial role as chief of state, but his party role has received little recent press attention. For several years the press had been building him up as an ideological authority, an effective leader, and a reliable interpreter of Mao, in an obvious attempt to groom him as Mao's successor. This build-up, always in a fairly low key, was a little heavier than usual last winter and spring, but dropped off after Peng Chen's downfall in early April.

When Mao surfaced in early May, Teng, not Liu, was the senior party representative in attendance. Another indication that Liu may be on the sidelines was his absence from Peking from 22 March to about 20 April, a period of intense political infighting in the Chinese capital. For much of that period Liu was traveling abroad, but for about 15 days he was in provincial towns such as Hotien, Urumchi, and Kunming for no apparent reason.

The struggle is not completely resolved. This is evident

**SECRET**

**SECRET**

in the differing lines still being taken by major party papers. These papers are closer now than they were several months ago when they were taking opposing lines on key issues. Differences remain, however, and these are important since they signal factional disputes in a Communist state where rigid control is normally maintained over propaganda media.

Last month the Liberation Army Journal went so far as to

hang a label of "absurd" on views which has been advanced by the prestigious People's Daily. Last week the army journal and the New China News Agency came out with wildly differing versions of the role played by various publications in the attacks which resulted in the fall of Peng.Chen.

These differences are not only signs of disarray on the top but they also sow confusion in the ranks. [REDACTED]

25X1

## Europe

### INCREASED SOVIET MEDITERRANEAN NAVAL OPERATIONS

The Soviet Navy has been showing the flag with increasing frequency in the Mediterranean and during the past month has deployed a record number of ships to that area. The naval presence serves as a symbolic counterpart to the US Sixth Fleet and in general strengthens the image of Soviet military power in the area.

Soviet submarines and surface ships have called at Egyptian, Algerian, and Yugoslav ports during the past several months, and Soviet naval vessels are operating near Syrian waters for the first time since the Russians began maintaining a permanent naval presence in the Mediterranean two years ago.

Although Soviet naval ships are calling at Mediterranean

ports with increasing frequency, little reprovisioning is done during these calls. The Soviets so far have been able to support their Mediterranean operations with naval auxiliaries and merchant tankers from their Black Sea Fleet. Eventually, however, their warships may refuel and reprovision at Mediterranean ports as their survey and research ships presently do.

While there would be operational advantages to the USSR in having formal base rights, these are probably outweighed by countervailing political considerations. Moscow's perennial propaganda attacks against Western bases would, for one thing, be blunted and the potential host country would lose its claim to nonalignment. [REDACTED]

25X1

**SECRET**

**Page Denied**

**SECRET**

## COMMUNIST INTERNATIONAL CIVIL AIR DEVELOPMENTS

The Communist countries continue to seek expansion of their international air routes. Moscow is negotiating with Canada, West Germany, and Japan, while the Eastern European countries are augmenting their service to the Middle East and Africa. The recent Chinese Communist - French agreement establishes Western Europe's first air link with China.

A Soviet-Canadian air agreement appears imminent. Canada has reacted favorably to a Soviet request for onward rights to Cuba--rights long sought by Moscow to permit a safer and more economical route to Havana. In return, the USSR has offered Canada profitable onward rights from Moscow to the Middle East and Southeast Asia. Soviet negotiations with Bonn, however, are foundering over Moscow's insistence on a stop at East Berlin en route to Frankfurt. Although joint operation of a Moscow-Tokyo route is still planned to begin this July, Soviet-Japanese disagreements persist over passenger fares, sharing of profits, and charter rates for the Soviet TU-114.

Moscow has encountered some problems in expanding its routes in Africa. Regular service to Kenya, Uganda, and Tanzania--provisionally arranged last November--has been blocked by Sudanese intransigence in granting the Soviets the right to pick up passengers at Khartoum for Nairobi and Entebbe. The Sudanese also have prevented

regular Soviet service onward to Brazzaville by refusing to amend their air agreement to allow this. The USSR, prohibited from landing at Ghana, apparently hopes to compensate by adding Nigeria, the Ivory Coast, and Cameroon to its West African route.

The Eastern European countries have expanded their few flights to the less-developed countries. East Germany has included a stop at Damascus on its Cyprus flight, and is exploring the possibility of service to Guinea and Mali. Hungary inaugurated regular flights to Lebanon this month, and Polish flights to Beirut are scheduled to begin in July. Rumania also has shown an interest in servicing Lebanon, possibly in connection with a future route to Turkey.

Czechoslovakia terminated weekly service to Afghanistan in April because of operating losses. However, it resumed weekly flights to Bamako via Dakar--suspended since early 1965

25X1

Air France plans to begin its weekly service to Shanghai in mid-September. Reciprocal Chinese flights to Paris via Pakistan, two points in the Middle East, Cairo, and Tirana, however, probably will not begin in the near future.

25X1

**SECRET**

**SECRET*****Communist Military Leaders Reported  
Meeting In East Berlin*****12 JUNE 1966****USSR**

Marshal of the Soviet Union MALINOVSKY, Minister of Defense  
 Marshal of the Soviet Union GRECHKO, Commander in Chief, Warsaw Pact Forces  
 Marshal of the Soviet Union ZAKHAROV, Chief of the General Staff  
 Army General YEPISHEV, Chief of the Armed Forces Political Directorate  
 Chief Marshal of Aviation VERSHININ, Commander in Chief, Air Forces  
 Fleet Admiral GORSHKOV, Commander in Chief, Naval Forces  
 Marshal of Artillery KAZAKOV, Commander of Rocket Troops and  
     Artillery of the Ground Forces  
 Marshal of Signal Troops LEONOV, Chief of Signal Troops  
 Marshal of Aviation SKRIPKO, Commander of Military Transport Aviation  
 Marshal of Aviation AGALTISOV, Commander of Long Range Aviation  
 Army General KOSHEVOY, Commander in Chief, Soviet Forces in Germany (GSFG)  
 Col. General VASYAGIN, Chief of the GSFG Political Directorate  
 Army General KURASOV, Warsaw Pact Representative in East Germany

**EAST GERMANY**

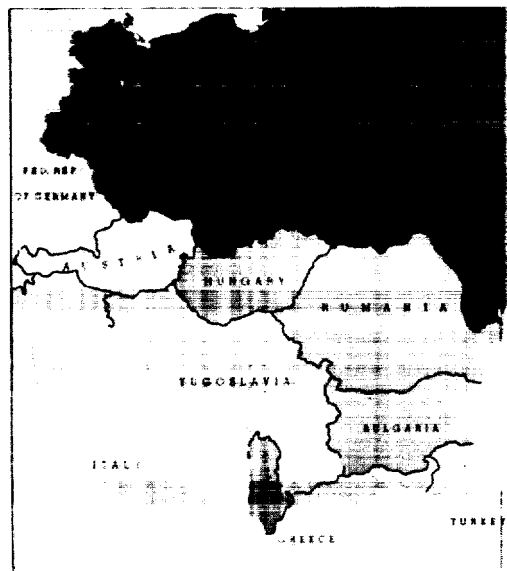
Army General HOFFMANN, Minister of Defense  
 Admiral VERNER, First Deputy Defense Minister  
 Col. General KESSLER, Deputy Defense Minister  
 Lt. General ALLENSTEIN, Deputy Defense Minister  
 Lt. General RIEDEL, Deputy Defense Minister  
 Vice Admiral EHM, Deputy Defense Minister

**POLAND**

Marshal of Poland SPYCHALSKI, Minister of Defense  
 Maj. General JARUZELSKI, Vice Defense Minister

**CZECHOSLOVAKIA**

Army General LOMSKY, Minister of Defense  
 Lt. General PRCHLIK, Deputy Defense Minister

**SECRET**



**SECRET**

## WARSAW PACT MOVING TO STRENGTHEN ITS NORTHERN TIER

An unusually high-level military meeting in East Berlin this week probably considered changes in the disposition, use, and integration of the northern tier military forces of the Warsaw Pact. Virtually the entire top command of the Soviet armed forces was present with its counterparts from East Germany, Poland, and Czechoslovakia.

The East German news service announced on 12 June that Walter Ulbricht had given a luncheon for these high-level military representatives at which questions of "mutual interest" were discussed.

The four-power talks follow a meeting of all Warsaw Pact defense ministers in Moscow last month. At the same time the military discussions were proceeding in East Berlin, the pact foreign ministers were meeting in Moscow. This series of get-togethers is probably preparatory to a meeting of the Warsaw Pact's Political Consultative Committee (PCC)--composed of the Soviet bloc party first secretaries--reportedly to be held in early July.

The USSR and its northern allies are probably seeking a means to strengthen the Pact organizationally through much closer integration of their forces.

25X1

Arrangements which give the northern states greater confidence in the area's defenses might also permit the USSR eventually to reduce its forces in East Germany. The USSR may wish to be in a position to hold out this prospect to General de Gaulle during his forthcoming visit.

25X1

\* \* \*

**SECRET**

## ***SECRET***

### **NATO ALLIES NEGOTIATE WITH FRENCH**

There was general pessimism at the opening of negotiations this week between the Germans and French in Bonn, and at the North Atlantic Council (NAC) in Paris over the future of French forces in Germany. Chancellor Erhard said he had doubts about the prospect of reaching an agreement with De Gaulle. The Dutch press quoted Foreign Minister Luns as seeing "little reason to be optimistic." Negotiations on this issue probably will set the pattern for the future French relationship with NATO.

The French announcement that they had already removed some of their air force units, and the strong likelihood that other units would follow, added to the pessimism. Both President de Gaulle and Foreign Minister Couve de Murville have told US officials that they intended to remove the French air force from Germany so its reaction would not have to be automatic in the event of hostilities. However, lower level French officials have indicated there may be some room for negotiating a role for at least some of these forces so they may remain.

French Government press releases, however, left the French position unclear. An official spokesman said that a squadron of fifteen jet fighters had been removed but emphasized that this

did not mean that other units would follow. Paris has made clear that it will insist that any command relationship of French forces to NATO must be held to the minimum and must not sacrifice French control over their wartime mission.

The Germans, meanwhile, have assured their allies that they will insist that their bilateral negotiations with the French on the status of French forces in Germany must parallel those taking place in NAC on the relationship of these forces to the NATO command. Bonn plans to arrange an interim agreement to cover all French forces in Germany after 1 July until final arrangements are worked out.

Last week, at the NATO foreign ministers meeting in Brussels, it was decided that the North Atlantic Council would be the organ for the negotiations between France and the Fourteen. Although the French attitude at Brussels contributed to this week's pessimism, it may also have produced, at least temporarily, a greater unity among the Fourteen. Both German Foreign Minister Schroeder and State Secretary Carstens remarked that the solidarity shown by the Fourteen was heartening and had exceeded expectations.

25X1

## ***SECRET***

**SECRET**

## ELDO GETS REPRIEVE WITH NEW COST-SHARING FORMULA

The European Launcher Development Organization (ELDO) ministerial council, meeting in Paris last week, came up with a revised schedule for sharing costs which may dissuade the British from withdrawing. The new formula, which will be taken up at another meeting in July, would reduce Britain's share from about 39 to 27 percent. West Germany's share would increase by 4 and France's by 2 percent. The ELDO members reportedly decided to try to spend in each country between 80 and 100 percent of that country's contribution and to seek more effective cost controls. Mounting costs have been a principal cause of Britain's reluctance to continue in ELDO.

London's implied threat to withdraw provoked unanimously negative reactions which, according to one British official, were "quite unanticipated." Continental criticism fastened not only on the damage to an independent European space effort but also on the credibility of the UK's claimed desire for a larger role in Europe. Secretary of State Rusk's expression of concern to Foreign Secretary Stewart that collapse of ELDO would make more difficult the problem of overcoming the growing technological gap between Europe and the US was also reported to have impressed the British.

A British decision to remain in ELDO would mean not only a reprieve for the organization but also would commit ELDO to developing its present launch vehicle into a more advanced version, capable of placing a communications satellite into orbit. French space officials have indicated that differences with the US may eventually emerge on how a European satellite is to fit with plans for a "world-wide system" under the terms of the International Telecommunications Satellite Consortium agreement.

The new ELDO cost-sharing proposals are apparently contingent on British participation in the development of ELDO's more advanced launcher and would not take effect until 1 January 1967. In earlier discussion of cost redistribution, the British reportedly suggested making such revisions retroactive, and there may be some bargaining ahead on this score. Moreover, the French are demanding that agreement on using French Guiana rather than an Australian location near Port Darwin for an "equatorial" launching site be part of a package deal to save ELDO.

25X1

**SECRET**

## **SECRET**

### **COMMUNIST TRADE AGREEMENTS WITH SINGAPORE**

The USSR, Bulgaria, and Poland have recently signed trade agreements with Singapore--the first bloc states to do so since the state declared its independence from Malaysia in November 1965. Czechoslovakia, Hungary, and Rumania appear interested in reaching agreements in the near future. The Communist nations' desire to develop economic ties coincides with Singapore's belief that it must maintain extensive international economic ties to strengthen its position as an independent nation.

The Soviet, Bulgarian, and Polish pacts provide for up to US \$15 million in trade the first year, exclusive of Communist rubber purchases. Before these agreements, Communist trade with Singapore consisted largely of imports of Malayan rubber.

The pacts call for the Communist countries to ship heavy industrial and consumer goods to Singapore in exchange for raw materials and light industrial products. The trade agreements will allow the Communist coun-

tries to extend economic and technical assistance in establishing unspecified joint industrial ventures in Singapore. The agreements also provide for an exchange of resident trade missions with diplomatic immunity for each mission's representative and deputy. In addition, the Soviet and Bulgarian agreements stipulate that each mission may use ciphered communications.

Czechoslovakia, Hungary, and Rumania expressed interest in economic ties when Singapore's Prime Minister Lee Kuan Yew visited them during his recent tour of Eastern Europe. In addition to trade, Czechoslovakia tentatively proposed to extend the route of the Czechoslovak state airline into Singapore. Hungary proposed to establish a bank as well as joint governmental economic ventures. Rumania intends to examine the possibility of building an oil refinery. The three countries will send trade delegations to Singapore in the near future, and hope to set up permanent trade missions there by the end of 1966.

25X1

\* \* \*

## **SECRET**

**SECRET**

Middle East - Africa

**IMPACT ON INDIA'S CURRENCY DEVALUATION**

New Delhi's recent devaluation of its currency by 36.5 percent has raised a domestic political storm. Many politicians and businessmen argue that the adjustment cannot significantly improve the country's weak foreign exchange position but will result in dangerous inflation. Leftists add that it represents an unnecessary sell-out to the US, the World Bank, and the West in general.

Congress Party President Kamaraj is potentially the most influential dissenter. He apparently fears that the measure will injure the party's prospects in general elections next February. His views probably also reflect the dismay of businessmen in his home state of Madras, his principal source of campaign funds. A number of lesser party officials have followed Kamaraj's lead in quietly disassociating themselves from the devaluation decision. This may cause some strain in the otherwise smooth working relationships between him and Prime Minister Gandhi.

She and other government spokesmen are defending the move as essential to restore the badly crippled Indian economy. The devaluation was part of a series of reforms recommended by the World Bank, which chairs the consortium of Western aid donor countries now considering their contributions to India's fourth Five Year Plan (April 1966-March 1971). If the donors follow through with enough hard currency aid to ensure success of New Delhi's

planned import liberalization program, criticism will probably slacken.

Despite massive amounts of foreign aid over more than a decade, at the end of last year India held only about \$600 million in gold and foreign exchange --an amount insufficient to finance three months of commercial imports. Efforts to boost exports have fallen far short of plans, and the consequent decline in hard currency reserves prompted the government to impose increasingly stringent trade controls. Industrial production for want of imported raw materials and spares for machinery slumped to about 50 percent of capacity.

The foreign exchange shortage is not likely to ease immediately, although devaluation may eventually stimulate domestic production of some consumer goods now imported and will encourage exports of manufactured items. Export earnings probably cannot be greatly expanded because of the relatively inelastic world demand for India's leading exports. Imports are likely to increase as regulatory duties and import restraining schemes are withdrawn. The major short-run gain connected with the devaluation will be the accompanying relaxing of some of the tariffs and administrative controls that have hobbled industries dependent on imports.

25X1

**SECRET**

**Page Denied**

**SECRET**

## SIGNS OF EGYPTIAN-SYRIAN RAPPROCHEMENT

The announcement on 8 June of a trade and payments agreement between Syria and Egypt may signal the beginning of a rapprochement. This limited measure is the first bilateral agreement since Syria's secession from the United Arab Republic in 1961 touched off a period of intense rivalry.

Nasir's willingness to seek a rapprochement with Syria's ruling Baathists--whom he regards as anathema--apparently is a result of his deteriorating position in the Arab world. His continued involvement in Yemen, coupled with mounting domestic economic problems and dissatisfaction at home, have made him unusually sensitive to moves by Saudi King Faysal for Islamic solidarity. Three months ago Nasir called for a coalescing of Arab nations with "unity of aims" which could rival what he ap-

parently views as a Western-backed alliance of conservative Islamic states.

The radical Baathist regime in Damascus also now is seeking to develop closer ties with "progressive" Arab forces. Until recently isolated from other Arab states, the regime is unsure of its own power position. The Syrian foreign minister recently visited Algiers.

Moscow has publicly encouraged a reconciliation apparently hoping to strengthen its own position in the Arab world.

25X1

25X1

**SECRET**

**Page Denied**



# SECRET

## PROGRESS OF WEST AFRICAN ENTENTE

West Africa's Council of the Entente appears to have made significant progress in a meeting held in Abidjan from 7 to 9 June. However, serious tensions revolving around the key role of relatively wealthy Ivory Coast are beginning to appear both in Abidjan and in some of the other capitals of member nations.

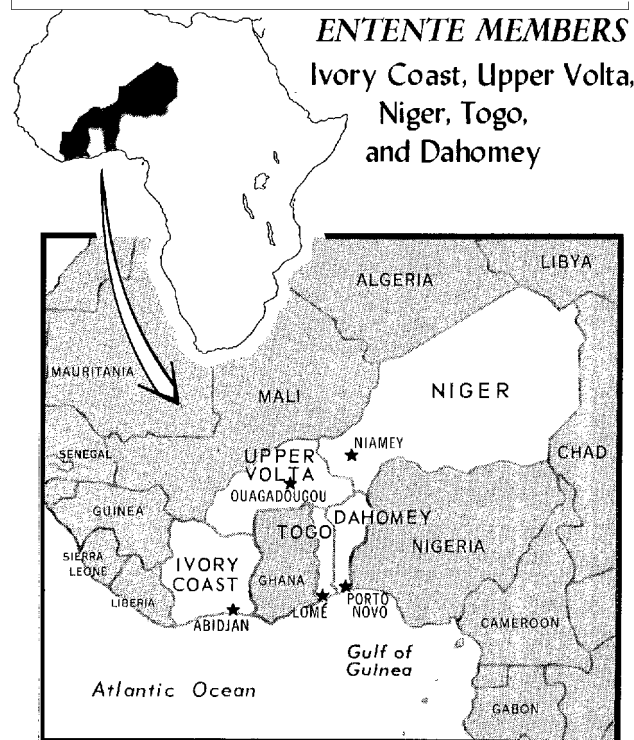
The presidents of Ivory Coast, Niger, Upper Volta, and Dahomey, and the foreign minister of Togo attended the meeting, which approved Togo's application for full membership and reorganized the channels through which Ivory Coast subsidizes the other members. The new arrangement creates a Mutual Aid and Loan Guarantee Fund to cover foreign loans for industrial, agricultural, and commercial projects or for construction of transportation and communication facilities. Unlike its predecessor, the Entente Solidarity Fund, the new fund requires all five members to make an annual contribution; Ivory Coast will still provide the largest share by far. The fairly rigid new conditions laid down for users of the guarantee funds are also bound to prove disappointing to some members, particularly Dahomey, whose economy is the most seriously and chronically out of balance.

Ivory Coast President Houphouet-Boigny is coming under increasingly open criticism from ranking members of his own regime, principally because of his dealings with other African states and the favoritism he shows to the other members of the Entente. In the aftermath of a series of West African coups which touched Dahomey and Upper Volta early this year, he made major concessions at home on several unpopular issues,

and this precedent could lead to still bolder efforts by dissidents to reduce Ivorian involvement in African affairs in favor of more internal development. Houphouet also has reportedly been uncertain about whether he should attend the meeting in Tananarive late this month of the 14-member African-Malagasy Common Organization which he originally organized.

Ivory Coast's external activities have also become an active political issue in Upper Volta. An important faction there, spearheaded by labor leaders, charges that Houphouet has not really accepted their January revolution and is insulting Upper Volta by continuing to show a preference for imprisoned former president Yameogo and by slighting President Lamizana. The popular enthusiasm they have aroused may encourage this group to push quickly for greater power in Ouagadougou.

25X1



82889

# SECRET

## ***SECRET***

### Western Hemisphere

#### STUDENT RIOTS IN PANAMA

Communist-led student demonstrations and rioting, sparked by the unexplained death of an extreme leftist student on 1 June, were brought to a halt last week by the national guard's effective riot-control tactics. The violence and destruction attending the disorders--the worst suffered by the Robles administration--have again emphasized the country's social and economic ills, and the tendency for minor incidents to explode into serious crises.

Mobs of students and hoodlums attacked government buildings and personnel in Colon on 6 June, leaving three dead, many wounded, and damage estimated in the millions of dollars. Continuing disorders in Colon were paralleled by sporadic clashes between students and security forces in the capital and the interior. Effective hit-and-run tactics used by small bands of demonstrators at times taxed the national guard's capacity to control the violence.

President Robles moved quickly to cordon off the University of Panama--nucleus of Communist-directed student agitation--and the government clamped down on news media which had been encouraging an atmosphere of tension. In addition, orders were issued to arrest leading Communist agitators, including radical pro-Castroite Thelma King. In a speech to the nation

on 7 June, Robles implied that the outbreaks resulted from efforts of Communist subversives and from directives of the Tri-Continent Congress in Havana last January. At least five of the leading instigators of the riots have been trained in Cuba; two of them attended the Havana conclave.

Arnulfo Arias, the opportunistic leader of the nationalistic Panamenista Party, Panama's largest, refrained from open support of the students.

Lacking widespread public support in the current disturbances, leftist student leaders were unable to provoke a general strike. Nevertheless, extremists can be expected to continue capitalizing on the frustrations of Panama's overcrowded urban slum-dwellers and on the discontent of the militant student population. Simmering resentment against the Robles government could easily be turned into further rioting at any time.

25X1

25X1

## ***SECRET***

**SECRET**

## BOSCH CONCEDES DOMINICAN ELECTION

Juan Bosch has finally conceded that his Dominican Revolutionary Party lost the 1 June elections. In a radiobroadcast on 13 June, he said that even though fraud and coercion had cost him the victory, he intends to create a "democratic and honest" opposition to the Balaguer government. He ruled out any form of coalition government, which had been rumored following his talk on 6 June with Balaguer.

Bosch indicated that his party will, from its minority position in the Congress, press the administration to adopt more liberal programs, and will, at the same time, guard public liberties. He contrasted his intentions to the conditions his government faced in 1963 when "groups of conspirators wanted to take over the government."

President-elect Balaguer has given little indication of how he intends to fulfill his many campaign promises, who will be in his cabinet, or who will head the military establishment. It is

becoming clear, however, that Balaguer will not delegate much of his decision-making power. Inconclusive talks between secondary Reformist Party leaders and US Embassy officials indicate that even Balaguer's closest supporters are unable to speak with authority.

By all indications, Balaguer intends personally to hold the reins of power in his regime and give the country a strong government. Balaguer's chief criticism of the provisional government has been what he described as its failure to provide leadership and he has repeatedly stated that the principle of authority will be established in his administration.

During a press interview on 11 June, he restated his intention to make use of all capable Dominicans regardless of political ideology. He has vowed, however, not to put together a government by parceling out responsibility in an effort to balance diverse political elements. 25X1

\* \* \*

**SECRET**

**SECRET**

## ECONOMIC PROBLEMS IN ECUADOR

Ecuador's financial and economic situation is becoming increasingly grave. As of mid-May, foreign exchange reserves stood at about \$18 million, down \$15 million from the first of the year. In the first quarter of 1966, reserves fell 26 percent--more than twice the loss during all of 1965.

Minister of Finance Guillermo Borja Enriquez reportedly told a cabinet meeting on 31 May that unless the government received foreign assistance soon, it would be bankrupt. Negotiations are under way with international financial agencies and the US Government for about \$30 million in financial assistance.

In order to qualify for the credit, the government has cut the budget drastically, levied additional taxes and surcharges on imports, and has taken measures to restrict credit. The tax measures are similar to those that contributed to the military

junta's downfall in March, and have evoked the usual outrage of business interests in Guayaquil and Quito. Businessmen are pressing the government to revoke the measures [REDACTED]

[REDACTED] Prices of various imports have risen as a result of the taxes, and sales are reported dropping sharply. Unemployment is also reported on the rise.

The deepening economic crisis is adding to political instability, already worsened by the return of ex-President Velasco Ibarra on 24 May. [REDACTED]

25X1

25X1

25X1

25X1

\*

\*

\*

**SECRET**

**SECRET**

## ARGENTINE GOVERNMENT MOVES TO SATISFY MILITARY

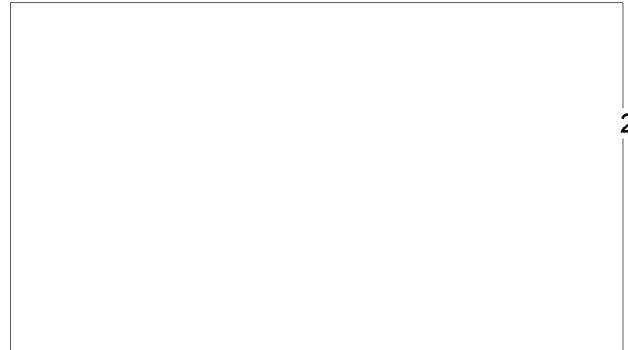
25X1

The Illia government has decided to intervene in strike-torn Tucuman Province and to take other measures intended to satisfy the military that the administration can find solutions to some of Argentina's more pressing problems. The military have adopted a wait-and-see attitude

[REDACTED]

This decision was made on 14 June after two emergency cabinet meetings which apparently were called because of growing military dissatisfaction with government policies.

[REDACTED]



25X1

The intervention in Tucuman is a significant shift in policy for President Illia. He has sought to avoid this step because he opposes it in principle and because it removes a governor who is a member of his own People's Radical Party.

[REDACTED]

25X1

25X1

\* \* \*

**SECRET**

**Page Denied**

**SECRET**

**SECRET**